

# **Murray City Municipal Council Neighborhood Meeting Viewmont Elementary Murray City, Utah**

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**T**he Municipal Council of Murray City, Utah, met on Tuesday, the 9<sup>th</sup> day of May 2006 at 6:30 p.m., for a Neighborhood meeting held at Viewmont Elementary, Library, 745 West 5720 South, Murray, Utah.

Roll Call consisted of the following:

Krista Dunn,	Council Member
Pat Griffiths,	Council Member
Robbie Robertson,	Council Member-Conducted
Jim Brass,	Council Member
Jeff Dredge,	Council Member

Other who attended:

Daniel Snarr,	Mayor
Jan Wells,	Chief of Staff
Michael Wagstaff	Deputy for Legislation
Shannon Huff Jacobs,	Council Director
Carol Heales,	City Recorder
Gil Rodriguez,	Fire Chief
Pete Fondaco,	Chief of Police

Murray Citizens:

Henry & Deanna Carsten,	Nelson Wadsworth
Clyde & Gerry Felsted	Ryan Saddler
Gordon & Martha Larsen	Doug Nielsen
Gary Merrill	Shayne & Heidi Anderson
Anna Cordes	Demon Brimhall
Kris Rice	Rex Morrey
Steve Allen	Jennifer Brass
Christ Stephen	Noel Anderson
Dick Sundberg	Sandy Patterson
Ken & Joyce Comstock	Craig Wallentine
Dan & Lynne Gehrke	Brian Bintz
Virginia Talbot	J. Anderson
Terry Wright	William & Kleda Quigley
Greg Nielsen	

Meeting conducted by Council Member Robbie Robertson.

### **Welcome and Introductions**

Mr. Robertson welcomed those in attendance to the second Murray Municipal Council Neighborhood meeting for District Two. Mr. Robertson introduced himself, Council Member representing District Two, and the other Council Members: Jim Brass, District Three; Pat Griffiths, District Four; Krista Dunn, Council Chair, District Five. He also introduced Council Director, Shannon Huff Jacobs. He excused Jeff Dredge, who is the Council Member for District One, because he was out of town. Mr. Robertson then introduced Mayor Snarr and the Mayor's staff in attendance: Carol Heales, City Recorder; Gil Rodriguez, Fire Chief; Pete Fondaco, Police Chief; Gary Merrill, General Manager of the Power Department.

### **Pledge of Allegiance:**

Given by Ryan Saddler, who returned in December from service with the Military in Kuwait.

### **Opening Discussion:**

Mr Robertson explained that the order of business would be a power point presentation. He encouraged the audience to ask questions at the pertinent time, and explained that there would be a question and answer period at the end of the presentation. He also noted that if anyone would like to address the Council, that they will stay after the meeting to answer questions.

### **Function of the City Council**

\_\_\_\_ Presenter: Robbie Robertson

\_\_\_\_ City Council's functions are:

1. Approves and adopts the City's budget. Council receives the recommended budget from the Mayor for the Council's review. The Council looks at available funds to see what items can be approved..
2. Approves and adopts the City's laws called ordinances. Ordinances are the laws the departments work with to run the City. The City functions much like the Congress does in Federal Government.
3. Approves and adopts zoning and land uses for the City. This is a major role for the Council. The Council is also the Redevelopment Agency for the City. There is currently an RDA under development which the Council is involved in.

Mr. Robertson referenced a power point slide depicting the City and several of its functions. He asked the audience to identify essential services that cities and towns provide.

The audiences responses were : Local Streets; Traffic Lights & Signs; Street Lights; Cross Walks; Crossing Guard; Sidewalk, Curb & Gutter; Park & Playground Equipment; Golf Course; Fire Protection; Library; Cemetery; Municipal Court; Drinking Water; Garbage Collection; Sewer System; Storm Drains; Transportation; Paramedic Services; Electricity, information Services.

Mr. Robertson turned the time over to Ms. Dunn.

**Power Point Presentation & Discussion:**

Presenter: Ms. Krista Dunn

Ms. Dunn said one thing she had learned through the opportunity of serving on the City Council the past six years is that you come in with certain ideas, and quickly learn that there aren't any right or wrong ideas. Her ideas, which she thought were wonderful and great, might be just the opposite of what other council members may feel are best for the City. The best that the Council can do for the citizens of the City is to create compromises that best serve the community. The Council has learned to work together, hear each other, and to respect each others opinions and ideas, and then come up with the best compromise.

Ms. Dunn said in preparing the budget, we have to keep in mind the different ideas in regards to what is best for this budget, and what is going to best serve this community.

The Mayor has come up with a balanced budget that he and his department heads and their staff have worked very hard on for the Council's review.

Ms. Dunn stated in reviewing budget, the council had to take into consideration the economy, and what the City faces in regards to past cutbacks and the decision made to not increase employees nor increase taxes even though the population increased because of the annexations.

Ms. Dunn talked about how people dislike tax increases and referred to a survey done by Dan Jones and Associates for the Utah League of Cities and Towns (ULCT). She said ULCT is an organization that works closely with the cities and towns in Utah. The league assists cities and towns with technical issues and prepares information that is provided to the citizens. In 2002, 2003, & 2005, Dan Jones and Associates conducted a survey for ULCT regarding Municipal Government and taxes. Questions that were asked revolved around which taxes were most objectionable to the public. Property tax came out as the most objectionable tax all three years. Income tax came in 2<sup>nd</sup>, sales tax came in 3<sup>rd</sup>, followed by gas taxes, then all taxes, and finally some said taxes were necessary and did not object to them. The next question asked what taxes actually do for a community, where the money goes. Ms Dunn stated that it surprised her that the poll showed that 25% of people polled assumed that the City receives monies from State Income Tax, which it does not. The City receives money from Sales tax and Property tax.

Ms Dunn went on to say that the budget in Murray City is funded by three sources known as a *three legged stool*. Sales tax is the first leg of the stool and represents 39% of the General Fund budget. Property taxes is the second leg that represents 15% of the budget and Other Revenue is the third leg of the stool and is comprised of different revenues, such as franchise taxes, business licenses, fines, government grants, and in-lieu of tax transfers from enterprise funds. The City has a General Fund that uses tax dollars to fund municipal services. Enterprise funds are run like small businesses, where the public pays for what it uses. Enterprise funds are sewer, water, power, golf course.

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Ms. Dunn reviewed the residential tax notices that citizens receive from the County for their property taxes, explaining that on the notice, only one line reflects what the City itself charges and receives from that tax. Residential properties are taxed at approximately 55% of the value shown. She explained that a misconception on the part of the public is that when a tax increase is discussed, such as the 40% increase that is proposed at this time, they assume that it is going to be taxed on the total value shown, but in reality it is on the line listed for Murray City. She also pointed out that what is paid to the Murray School District is also a separate entity and not included in that proposed increase.

The final area is Special Improvement Districts, such as the Mosquito Abatement District, along with the Library. These areas make up approximately 10% of the taxes. When Murray City raises taxes, it is only on the one line item that shows *Murray City*.

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Commercial businesses are taxed at 100% of the property value instead of the 55% that residential homes are taxed. Ms. Dunn went on to explain the importance of having a good mix of residential and commercial properties within the City. She stressed the importance of the commercial properties as they subsidize the residential tax base.

Ms Dunn reiterated that the Enterprise funds do not use tax dollars, money to and from those accounts are done on a fee for use basis. The City does not cross over into other funds. However, each of those enterprise funds pay an in-lieu of tax to the General Fund. For example, when Utah Power and Light is in the City, they are paying taxes. Murray City Power also pays an in-lieu to the General Fund. For most of the Enterprise Funds, it is an 8.3% of the revenue fee going into the General Fund. They are looking at an increase of that base.

As discussed previously, sales tax is 39% of the budget currently. Murray City generates approximately 5% of all the sales tax that is generated in the state of Utah, with only approximately 1% of the population for the state. In previous years, the City collected 1% of all sales tax it generated with a 50-50 split. This is based on 50% point of sale, and the other 50% is based on population. This was named a hold harmless agreement. This hold harmless agreement was beneficial to our city as we had a large volume of commercial business with a smaller population. There were approximately 12 cities that were involved in this agreement.

Questions were raised regarding the annexation areas. The Mayor and Ms. Dunn explained that the City was not involved in annexing these areas, and that the annexed areas requested to be a part of Murray. Previously, with the tax base as it was, increasing the residential area was not beneficial to the City, as the school taxes and some other base tax fees were not being collected by the City. With the new changes in legislature, however, it works to our advantage to increase the population in Murray.

Ms Dunn continued: this year in the 2006 legislature, many of the cities that had previously not wanted commercial business in their city, now decided that as they have their residents making their purchases in the hold harmless cities, spending their tax dollars in other cities, decided it was not fair that the hold harmless cities were collecting the sales tax dollars. As the hold harmless agreement had been set up as a temporary measure back in 1983, the legislature this year has decided to dissolve that agreement and puts us to the 50-50 formula. This change means a loss in sales tax income to the city of approximately \$1.5 million. The Mayor interjected, stating that if it was truly a 50-50 split, this would cost the city more like \$5 -6 million dollars.

Mr. Brass stated that Murray's legislators stood up for the City, fighting to oppose this legislation, but were unable to stop this from happening. \_\_\_Ms. Dunn explained that it was difficult to fight, with only 12 cities out of approximately 240 cities fighting this legislation.

Ms. Dunn went on to praise the previous leaders of the City for having the foresight to create a self contained city, with hospitals, shopping, school district, residences, etc. Now we are being punished for that. If you look at the sales tax, and what it does for our budget, the change proposes a very large cut into our budget. Sales tax is our largest, single source of revenue.

A question was brought forth regarding the new hospital, and how that would affect our revenue. Ms. Dunn explained that on one hand, no, it would not due to the fact that the hospital is a not for profit entity, and does not pay property tax. On the other hand, they are bringing in property tax that does pay 100% tax. The hospital complex is not entirely not for profit, and the areas that are for profit will be generating tax for the City. In the long run, it is felt that the City will profit from the hospital being located here.

A second question was asked regarding the square footage of the complex. The Mayor stated that the base is 1.2 million square feet, but that they could add another 600,000 square feet to the complex. He also stated that the hospital is a magnet for development of underdeveloped portions of the City, where commercial and retail centers will locate, paying 100% of the property value in taxes.

Ms Dunn brought up the possibility of the legislature moving the base to 100% population formula some time in the future. The Mayor commented that if that were to happen, it is beneficial to have the annexed areas which have increased our residential

totals. Ms. Dunn added that many of the cities at the legislative session are still pushing for the 100% population formula, and we do not know what the future holds.

A question was posed by the citizens, on whether or not it was felt that many of the workers that would be working at this new hospital complex would be moving into the city as residents. Ms. Dunn stated that it was unknown, but that the city would see an increase in disposable income from purchases, food, etc. The Mayor stated that many of the hospital employees would probably be interested in living closer to their place of business, especially with fuel costs, etc.

Another citizen remarked upon the office buildings that were going up around the hospital. Ms. Dunn explained that these types of businesses are to the benefit of the City as they do pay the 100% taxes to the City in property tax.

It was mentioned that a lot of the area, especially to the South of Cottonwood Hospital was "in trouble", and that many businesses were moving out, that the professional offices were becoming vacant. Ms. Dunn expressed hope that those areas would be revitalized, and that our Economic Development Director was there to work on these situations.

Mr. Brass explained that there are plans in place for that area. TOSH, the orthopedic hospital is being upgraded and remaining there, it was announced recently that Eric Hyden, Gold Medallist, is planning on moving his practice to TOSH, which will literally put Murray on the map for orthopedics. Mr. Brass feels that the City will see migration back into that area. There are several plans for the area that should improve the area.

Ms. Dunn went on to discuss the self sufficiency of the city, and the pride that is felt for the City's accomplishment. What keeps the taxes low within the City, is having a good mix of residential and commercial properties. The leaders of this community have done an excellent job in accomplishing this task. Even if property taxes increased, we would still remain one of the lowest tax base cities in the Valley.

There was a concern expressed regarding the increases in water, sewer and power rates. The Mayor answered, explaining that those funds generated by enterprise funds, did not reflect in the General Fund. Those funds were used for improvements such as the improvements to areas such as Vine St. The revenue streams created are reinvested into projects to upgrade the City. He went on to explain that the recent fee increases were necessary to improve water delivery systems, etc, and that all the cities across the valley had experienced the same problems and needs. He answered, to the statement made that the City shouldn't increase fees because others do, by explaining that many of our areas and systems needed to be upgraded, and increases were made to cover these improvements. All the money in those funds are being reinvested, and not used for the General Fund, even if there is a surplus in that fund. We are upgrading our infrastructure so that we do not have to rebuild major projects a few years down the road. We are investing into our own future.

Several citizen comments were made regarding blighted areas and properties around the City. The Mayor explained that the City could not condemn private properties, and that property owners had the right to use their properties as they see fit. He stated that the

properties on 3d West were not condemned by the city, and the City owned the right-of-ways to those areas. The roads going into the hospital were Federally funded and not paid for by the citizens. There are studies on going for blighted areas, and for the use of buildings such as the City Hall, including feasibility studies.

Returning to the property tax issues, Mr Brass answered a citizen question regarding the total change in property tax if the proposed tax increase goes into effect, stating that the total increase of 40% of the Murray line on the notice, or basically a 4% overall increase in the tax amount.

A question was raised, asking if the City was selling excess utilities such as electricity to other cities and counties. Ms. Dunn explained that if we do have excess power, we are able to sell it, but we only purchase the power that we actually need for the city. We are unable to store excess electricity, so if there is an excess, it is sold to other communities. We do plan on what we need. Another question asked was whether or not the hospital would be generating their own power. Mr. Brass stated that no, they will be purchasing their power from the City. He also stated that the Hospital paid a huge impact fee to the City for hooking up power, over \$1. Million for the cost of connecting the power and the resources.

Ms Dunn continued on the legislature change, explaining that with the proposed change in sales tax, the cost to the City would be approximately \$6. Million.

This is about half of what we collect normally. She went on to explain that the City's population triples during the daytime hours, and with the population formula, it would be fine if they let us count those people; however, the legislature is unwilling to discuss the use of those numbers. The best that we can do is to continue to plead our case with them, to keep it at the 50-50 formula, as it would still be better than the 100% population formula. Ms. Dunn stated that although many of the Council and City personnel had spent many hours fighting for the City, it would be the citizens that could make a difference, and encouraged the public to attend the legislative sessions, to write to their legislators, etc. She expressed the importance of getting involved with the legislative decisions. There was some clarification made by Ms. Dunn and Mr. Brass on the basis of the formulations that are being proposed, and how exactly it would impact our city and the impact it would have on other non-commercial cities.

Jan Wells explained that there is a cap on the tax amounts, and also on the growing-out phase, the time it will take us to grow out of the losses caused by this change.

Ms. Dunn discussed the subsidizing that is currently being done by commercial property taxes into residential properties, and that if there are major changes in the sales tax base, eventually residential property tax will not be able to be subsidized by the commercial businesses and will have to pay that cost themselves. At that point, residential property tax will need to increase, as commercial properties become a financial burden to the city. At that point you may see drastic changes in zoning.

A citizen commented on the fact that with the current proposed changes, the commercial areas are not actually subsidizing the residential areas, as the residents are having to subsidize the sales tax losses.

Ms Dunn reviewed the costs of running the city- Streets costs, clearing the streets, maintenance of the parks, etc. Public safety, Police and Fire being a major cost, these are all human services, not products, general personnel to operate the City. Over 80% of the services provided are people who provide those services. When you talk about cutting services, we have asked departments to cut back, these departments are covering a 25% larger area but are doing so with the same amount of people on less money.

Ms. Dunn went on to give a break down of some of the costs and how we compare to other states. A Dan Jones survey, Utah is the 15<sup>th</sup> highest state for income tax in the Country. The Mayor added that much of that money goes to education, and that per capita, Utah has more children than any other state.

The question was posed, Is this tax increase a certainty? Ms Dunn explained that the budget that has been proposed by the Mayor is then reviewed by the Council; to see if and where other changes could be made or money brought in. Based on the reviews by the Council, the department heads, and the Mayor, they may be able to pull some funds into the General Fund and make it stronger so that taxes may not have to be raised as much. There is still a Public Hearing in June, where the public can give their comment, and a Truth in Taxation in August. Ms. Dunn went on to explain that although they have reviewed and discussed from every angle, they just have not found a way to make up the loss in sales tax.

The Mayor stated that the reality of the matter is that good or bad, they have balanced the budget based on the Road Improvement projects, and they must continue to enhance and improve our roads in a timely manner. If the roads are deteriorated, and rebuilds are needed, they are looking at 4 times the cost over routine maintenance. Passing on the problems to future generations, or letting the City deteriorate to the point where no one wants to live here, would decrease the property values. He stated that in Murray City, you get “more bang for your buck” than anywhere else, bar none. The rates across the board are lower than anywhere else. We want to keep a nice community for people to live in, but sometimes we have to realize that the legislature does things that impact the City negatively, and we must find ways to deal with these things. The City works hard to save money where ever we can, but we do not want to get to the point where we cannot provide the services needed or postpone the problems until it is too late.

A citizen brought up the fact that the City is using vehicles that are not cost efficient, and what is being done about it. It was explained that the City has purchased hybrid vehicles, smaller vehicles, and more efficient use of those vehicles. The vehicles the City currently owns were cost effective, and are being used as efficiently as possible.

Ms Dunn continued with the presentation, explaining that Utah is the 14<sup>th</sup> lowest state for cost of property taxes. Murray is actually much lower than the rest of the state, Utah is the 9<sup>th</sup> highest in sales tax.



If a revenue increase is necessary to pay for service needs, The City could implement a fee for services, which is being done in areas such as Parks and Recreation, but it is implausible to do so in areas such as Police , Fire, or Emergency Services. The City is working with the budget the best they can, generating revenue in the best way possible.

A Concern was raised regarding the Sewer and septic charges. This citizen was being charged a sewer fee for a septic tank that was located on private property across a private lane; they were unable to access this septic tank. Now, the family is not in business but still resides in the home, on a fixed income. They are still being charged for sewer services although they are not on that system, and are being charged the higher industrial power as opposed to the residential power rates, because their property is zoned commercial and not residential. Ms Dunn referred the citizen to Mr. Gary Merrill of the Power Department in regards to the power issue, and Mr. Doug Hill for the sewer questions.

The final option in reference to the Budget, would be to cut the services. This option is not feasible for the majority of services. Surveys have shown that people are very attached to all the services, such as the Parks & Recreation services offered in their city. Once the public is accustomed to a level of service, they do not want to reduce those service levels.

Inflation plays a large role in the economy and budget. 20 years ago the citizens of Murray paid approximately 12% in taxes to the City. This is the same amount you pay today. The difference has been that with inflation, property values have increased. The County assesses the value of your property, this is not a City function.

Question on Utopia-Who is paying for this? People have cables run through their properties, but have not been hooked up. Mr. Brass gave information on the Utopia and suggested they call Mstar, or Xmission. He explained that the City will be using the fiber optic service and is not being charged maintenance fees for the service. Mr. Brass also stated that as part of the Utopia network, if the company makes a profit, this is money that will be put into the General Fund also.

Another citizen made the comment that the department heads have been asked year after year to make cut backs, and this was long before the change and subsequent losses due to the sales tax legislation, what is going to happen after the tax increases, The Council is saying that this tax increase is going to help these departments to subsidize their departments and yet asking them to cut back. Ms Dunn explained that \$1.5 million is what the legislation is costing us, but at the same time, we have seen benefits in other areas. Our Power Department is back on line, their in-lieu of tax is bringing more money into the General Fund, We have asked the departments to run as long as they can with what they have, but not to the point of running things into the ground. We are working on budgeting to the best of our ability, just like the citizens do.

Citizen question- has the Murray City Council asked the highest paid employees with the City to take voluntary pay cuts? Ms Dunn: Yes they have. Not in cutting their pay, but with not taking raises, benefits have been cut. This has been happening for several years. Mr. Brass: every year, health insurance goes up. 78% of our budget goes to employee costs. As increases go up, we have asked employees to pay more of the costs of the premiums every month.

Ms. Dunn Stated that employees also need to be compared to the private sector. Even if the private sector offers less in benefits, they are receiving more in pay. Ms Dunn gave examples of the attorneys in the City vs private practice attorneys. She also stated that she will defend to the end what we pay our employees, they are very valuable people.

Mr. Brass thanked the public for attending this meeting, explaining the need for the public to attend the meetings, to allow clarification of issues and helping the public be informed of what is happening within their city.

Mr Merrill offered to meet with any of the public to discuss the vehicles used by the city, the choice of hybrids in certain departments, etc.